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Message Text

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ACTION AGR-20

INFO OCT-01 EUR-25 ISO-00 EB-11 OMB-01 TRSE-00 FEA-02

INT-08 STR-08 COME-00 NEA-11 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 CIEP-02 CEA-02 DRC-01 /169 W
--------------------- 038153
R 211838Z JAN 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9854

UNCLAS SECTION 01 OF 02 BONN 01059

DEPARTMENT PASS AGRICULTURE FOR MEEKER AND LOOPER

E.O. 11652: N/A
TAGS: EAGR, GW
SUBJECT: EFFECT OF ENERGY SITUATION ON AGRICULTURAL
PRODUCTION AND TRADE - FERTILIZER SITUATION

REF: STATE 005278

1. SUMMARY: OPERATING AT ABOUT 80 PERCENT OF CAPACITY WEST GERMANY'S FERTILIZER PRODUCTION FOR USE DURING 1973/74 IS ABOUT 90 PERCENT COMPLETED. NO SUPPLY DIFFICULTIES ARE ANTICIPATED TO MEET 73/74 DEMAND. PRICES ARE EXPECTED TO INCREASE 20-30 PERCENT, AND ASSUMING NO FURTHER INCREASES IN THE COST OF OIL, FOB PLANT FERTILIZER PRICES ARE EXPECTED TO RISE ONLY SLIGHTLY IN 1974/75. FREIGHT RATES HOWEVER, ARE TO BE INCREASED 10 PERCENT. PRODUCTION PLANS INDICATE SUFFICIENT QUANTITIES SHOULD BE AVAILABLE TO MEET DOMESTIC NEEDS IN 1974/75. IF NECESSARY, EXPORTS WILL BE DECREASED TO MAINTAIN THE NECESSARY DOMESTIC SUPPLIES. REAL GNP GROWTH RATE IS EXPECTED TO DECLINE FROM 5.5 PERCENT IN 1973 TO 1-2 PERCENT IN 1974.
END SUMMARY.

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2. DOMESTIC FERTILIZER PRODUCTION CAPACITY IS ESTIMATED

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AT SLIGHTLY LESS THAN SIX MILLION METRIC TONS ANNUALLY CALCULATED FROM 1973/74 PRODUCTION OF 4.67 MILLION TONS. THERE ARE NO CURRENT INDICATIONS OF CAPACITY CHANGES IN THE NEAR FUTURE. PRODUCTION CAPABILITIES ARE CONSIDERED AMPLE TO MEET DOMESTIC NEEDS, AND EXPORTS WILL BE ADJUSTED AS NECESSARY.

3. SUPPLY AND DISTRIBUTION DATA IN THOUSAND METRIC TONS:

NITROGEN (N)	1969/70	1970/71	1971/72
BEGINNING STOCKS (NOTE 1)	384.0	358.2	353.7
IMPORTS (NOTE 2)	100.8	134.4	228.3
PRODUCTION	1,574.1	1,504.6	1,320.8
EXPORTS (NOTE 2)	617.1	525.0	415.2
DEL'VD TO AGRICULTURE	1,084.6	1,130.8	1,131.1
ENDING STOCKS (NOTE 1)	358.2	353.7	337.8

NITROGEN (N)	1972/73	1973/74	1974/75
BEGINNING STOCKS (NOTE 1)	337.8	352.3	
IMPORTS (NOTE 2)	283.1	200.0	150.0
PRODUCTION	1,470.6	1,400.0	1,450.0
EXPORTS (NOTE 2)	507.0	450.0	400.0
DEL'VD TO AGRICULTURE	1,189.0	1,100.0	1,200.0
ENDING STOCKS (NOTE 1)	352.3		

PHOSPHATE (P205)	1969/70	1970/71	1971/72
BEGINNING STOCKS (NOTE 1)	158.5	165.1	164.3
IMPORTS (NOTE 2)	106.4	98.7	121.2
PRODUCTION	919.4	945.8	975.9
EXPORTS (NOTE 2)	194.4	145.7	177.6
DEL'VD TO AGRICULTURE	856.6	913.1	934.9
ENDING STOCKS (NOTE 1)	165.1	164.3	163.4

PHOSPHATE (P205)	1972/73	1973/74	1974/75
BEGINNING STOCKS (NOTE 1)	163.4	152.5	
IMPORTS (NOTE 2)	116.6	100.0	100.0
PRODUCTION	986.0	920.0	910.0
EXPORTS (NOTE 2)	219.2	200.0	150.0
DEL'VD TO AGRICULTURE	902.6	820.0	860.0
ENDING STOCKS (NOTE 1)	152.5		

POTASH (K20)	1969/70	1970/71	1971/72
BEGINNING STOCKS (NOTE 1)	364.1	319.5	314.8
IMPORTS (NOTE 2)	79.7	44.2	91.5
PRODUCTION	2,211.8	2,293.0	2,376.5
EXPORTS (NOTE 2)	1.189.3	1,176.0	1,088.3
DEL'VD TO AGRICULTURE	1,120.1	1,184.6	1,233.5
ENDING STOCKS (NOTE 2)	319.5	314.8	421.6

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POTASH (K20)   1972/73   1973/74   1974/75
BEGINNING STOCKS (NOTE 1)   421.6   297.3
IMPORTS (NOTE 2)   74.0   50.0   50.0
PRODUCTION   2,371.3   2,350.0   2,500.0

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EXPORTS (NOTE 2)   1,399.9   1,300.0   1,350.0
DEL'VD TO AGRICULTURE   1,147.5   1,100.0   1,200.0
ENDING STOCKS (NOTE 2)   297.3

4. NOTE 1. DIFFERENCES BETWEEN BEGINNING AND ENDING STOCKS AS SHOWN AND RESIDUAL BALANCE IS DUE TO LOSSES, SLIGHT VARIANCES IN INDIVIDUAL COMPANY REPORTING DATES AND PRODUCT IN TRANSIT BETWEEN COMPANIES.

5. NOTE 2. IMPORTS AND EXPORTS INCLUDE PRODUCT FROM AND TO EAST GERMANY. WE NOTE THAT TRADE DATA ARE NOT FULLY COMPARABLE WITH TRADE STATISTICS PUBLISHED ELSE-WHERE AND BELIEVE THIS RESULTS FROM TRADE DATA BASED ON INDIVIDUAL COMPANY REPORTS OF IMPORTS BASED ON ARRIVALS AT PLANT AND EXPORTS BASED ON LOADINGS FROM PLANT.

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6. AVERAGE FERTILIZER PRICES TO FARMERS. WHAT LITTLE DATA IS AVAILABLE WOULD BE (1) DISTORTED THROUGH AVERAGING, OR (2) VOLUMINOUS BECAUSE OF VARYING COMPOSITIONS. WE HAVE, HOWEVER, OBTAINED THE AVERAGE PRICE IN DMARK PER METRIC TON OF PURE INGREDIENT IN BULK RAILROAD CARS FREIGHT PAID TO THE COMPOUNDER. THE YEAR SHOWN

BELOW BEGINS JULY 1 AND ENDS JUNE 30.

	1969/70	1970/71	1971/72	1972/73
NITROGEN (N)				
AMMONIUM SULPHATE	1008	986	973	982
CALCIUM AMMONIUM NITRATE	1008	986	1028	1041
CALCIUM NITRATE	1274	1268	1321	1341
CALCIUM CYANAMIDE (OILED)	1495	1600	1728	1756
PHOSPHATE (P205)				
SUPERPHOSPHATE	890	898	931	950
THOMAS SLAG	584	590	605	623
MELTING PHOSPHATE	765	785	829	845
SOFT-EARTH RAW PHOSPHATE	564	579	641	671
POTASH (K20)				
POTASH - 40 PERCENT	311	311	314	332
POTASH - 50 PERCENT	311	337	352	374
POTASSIUM SULPHATE	417	420	441	475
POTASSIUM MAGNESIA	467	467	486	522

7. MOST OF THE PRODUCTION HAS BEEN COMPLETED FOR THE CURRENT YEAR--NITROGEN 95 PERCENT, POTASSIUM 85 PERCENT, AND POTASH 90 PERCENT. PRICE INCREASES APPLICABLE TO THE 1973/74 YEAR ARE ESTIMATED AT 10 PERCENT FOR NITROGEN, 35 PERCENT FOR PHOSPHATES AND 5 PERCENT FOR POTASH. MIXED FERTILIZER PRICES ARE EXPECTED TO RISE BY ABOUT 25 PERCENT PRIMARILY DUE TO THE PHOSPHATE PORTIONS. IN ADDITION TO THE INCREASED PRICES FOR THE FINISHED PRODUCT WILL BE A TEN PERCENT INCREASE IN RAIL FREIGHTS FOR FERTILIZER EFFECTIVE MAY 1, 1974. LITTLE PRICE EFFECT IS EXPECTED FROM INCREASED FREIGHT COSTS BECAUSE THE PRODUCTION TO BE USED DURING 1973/74 WILL HAVE ALREADY BEEN MOVED. THE INDUSTRY EXPECTS ONLY NOMINAL PRICE RISES FOR THE 1974/75 SEASON ASSUMING NO FURTHER ESCALATION IN OIL PRICES.

8. EFFECTS OF CURRENT SITUATION ON 1974/75 PRODUCTION, EXPORTS AND IMPORTS. PRESENT EVALUATIONS INDICATE THAT GERMAN AGRICULTURAL PRODUCTION WILL PROBABLY SUFFER LITTLE, IF ANY, FROM THE PRESENT FERTILIZER SITUATION. THE IMPACT OF HIGHER PRODUCTION COSTS ON EXPORTED AGRICULTURAL COMMODITIES UNDER THE CAP IS MORE SUBJECT TO CRITICAL DECISIONS IN BRUSSELS ON

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(1) THE DOMESTIC PRICE LEVELS FOR THE COMING PRODUCTION YEAR, AND (2) THE QUANTITIES THE EEC DECIDES TO EXPORT. RISING PRICES RELATED TO THE PRESENT LEVEL OF OIL PRICES WILL PROBABLY HAVE A STRONG IMPACT ON THE GERMAN TEXTILE INDUSTRY THROUGH THE COSTS OF MAN-MADE FIBERS. THIS INDUSTRY IS ALREADY HAVING DIFFICULTIES IN BEING COMPETITIVE WITH LOWER PRICED FABRICS FROM LOWER LABOR COST ORIGINS AND GROWING CONSUMER RESISTANCE TO INCREASED PRICES FOR FINISHED GOODS. THE POULTRY INDUSTRY HAS PUBLICLY REPORTED THEY MUST CUT BACK TWENTY PERCENT BECAUSE OF ENERGY AGGRAVATED PRODUCTION COSTS. AT THE MOMENT THE VEGETABLE OIL CRUSHERS HAVE BEEN ABLE TO COPE WITH ENERGY SUPPLY PROBLEMS BUT THE QUESTION OF COST ABSORPTION BY FEED COMPOUNDERS AND MARGARINE PRODUCERS HAS NOT BEEN FULLY RESOLVED.

9.REAL GNGROWTH RATE WAS 2.8 IN 1972; 5.5 PERCENT IN 1973; AND IS EXPECTED TO BE BETWEEN ONE AND TWO PERCENT IN 1974.
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